

Pacific Western Airlines

Annual Report 1975

AR31



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1975 in Brief

Financial	(in thousands of dollars)	
	1975	1974
Operating revenue	\$101,572	\$85,009
Operating expenses	92,785	75,790
Operating income	4,194	3,915
Provision for future years income taxes	—	622
Net earnings for the year	1,360	1,301
Funds provided by operations	6,189	5,519
Weighted average number of common shares issued	2,549,281	2,462,095
Earnings per common share	\$.49	\$.45

Operations

Passengers carried		
Mainline	2,047,498	1,858,396
International charter	48,741	48,595
Domestic charter	52,441	49,195
Passenger miles flown		
Mainline	480,650,779	447,076,075
International charter	156,361,498	162,991,065
Domestic charter	58,917,129	60,192,259
Cargo ton miles flown		
Mainline	14,831,820	13,364,877
Domestic charter (excluding Hercules)	1,938,805	1,632,342
International charter (excluding Hercules)	27,447,941	27,341,326
Hercules	21,818,406	21,133,611
Aircraft miles flown		
Mainline	10,210,100	10,101,509
International charter	2,484,459	2,250,850
Domestic charter (excluding Hercules)	974,112	957,312
Hercules	2,207,496	2,268,711

Report of the President and Chief Executive Officer

I submit herewith the report of your company's activities for the 12 month period ending December 31, 1975.

In May of 1975, Pacific Western Trucking (Byer's Transport Ltd.) was sold to the employees of that firm. To provide a meaningful comparison of the current financial position and operating results with previous years, all amounts related to the trucking operation have been reclassified as "discontinued operation".

Operating revenues of \$101,571,506 were achieved, compared with \$85,008,549 the previous year. Due to a delay in the signing of the licence for the Vancouver/Seattle direct route, awarded to your company as a result of the 1974 Canada-United States bilateral agreements, commencement of the service was delayed by three months. This delay meant a loss of approximately \$183,000 revenue. Although a poor economic climate and continuing inflation hampered traffic growth, revenues remained close to target. Passengers carried totalled 2,148,680 and cargo ton miles stood at 66,036,972 for the year.

At December 31, the aircraft fleet numbered 27, comprised of twelve Boeing 737's; two Boeing 727's; two Boeing 707's, one passenger and one cargo; four Lockheed Hercules; two Lockheed Electras and five Convair 640's. During the year, four Boeing 737 aircraft were added to the fleet, bringing the total to twelve. These additional aircraft enabled the company to provide jet service to several more communities. Two of these aircraft, delivered in the Spring of 1975, were financed by long-term debt. Total cost for these aircraft was \$13,563,670, less deposits of \$3,562,063 which were made in 1974. The remaining two Boeing 737's received during the latter part of the year, with a cost of \$14,439,022, were financed on long-term leases. Your company sold a Boeing 737 aircraft for \$4,500,000 and negotiated a long-term lease-back agreement for this aircraft. In accordance with plans announced in 1974, the two Lockheed Electras and three Convair 640's were retired from service. Your company has entered into a contract to sell the Electras and related spares for \$1,175,000, the transaction to be completed in 1976. Sale of the surplus Convair equipment is currently being actively pursued.

In December of this year, as a result of market studies on world air cargo from Western Canada, your Board of Directors announced the decision to wind down the Boeing 707-320C international cargo operation. In early 1976 it was decided to refurbish this aircraft for the passenger charter operations. The addition of this 189 seat aircraft will greatly enhance your company's competitive abilities in the expanding passenger charter market.



Future commitments made by your company during the year include the acquisition of a Boeing 737 flight simulator at a cost of \$2,500,000, on which deposits of \$1,025,000 were made during 1975. The addition of this equipment will greatly reduce training and pilot proficiency check costs. An order has been placed for an airline information and dispatch system which will computerize basic functions in the dispatch area and improve operational efficiency. In accordance with the five year fleet plan, an order for a Boeing 737, C model, has been placed with delivery expected in late 1976.

In May your company disposed of its interests in Pacific Western Trucking (Byer's Transport). Land and buildings were acquired from the former subsidiary at a cost of \$1,382,977. These facilities are being leased back to Byer's Transport Ltd.

During the year, Mr. R. R. McDaniel, of Calgary, was appointed Chairman of the Board, replacing Mr. R. D. Southern who continues as a Director of the company.

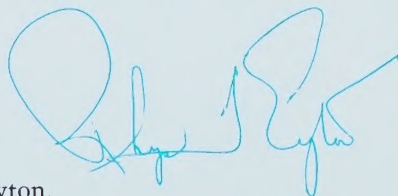
At year end, employees totalled 2,155, compared with 2,298 the previous year. Wages, salaries and benefits paid to employees in 1975 amounted to \$32,318,314, compared to \$26,672,657 in 1974.

The corporate reorganization incorporating a divisional profit centre concept, which took effect in January, has been most effective in maintaining high productivity while at the same time providing effective cost control.

In March of 1976, Mr. D. N. Watson resigned his position as President and Chief Executive Officer and from the Board of Directors of the company. Mr. Watson's contributions to the company over the years and particularly during his term as President, were very significant and their effects will be felt for years to come. I am pleased and comforted by the fact that Mr. Watson is remaining with the company as Special Advisor to the Board of Directors.

Your company's performance in achieving a profit for the year is in contrast to the industry experience which in the case of most other scheduled airlines resulted in substantial losses in 1975. Much of the credit for this positive result must go to the employees who have reacted to a very difficult year in a positive manner and have contributed the extra effort that made the difference.

All of which is respectfully submitted on behalf of the Board of Directors.



R. T. Eyton,
President & Chief Executive Officer



Review of 1975

Although 1975 proved to be another poor year for the airline industry, a reasonable growth in passenger and cargo traffic, along with stringent cost control programmes, enabled the company to meet forecast in most areas of operation.

Aircraft Fleet

In keeping with the company's established five year fleet plan, four Boeing 737 aircraft, one of which is in passenger/cargo configuration, were added to the fleet. The addition of this equipment to the fleet enabled the company to inaugurate jet service to the communities of Peace River, High Level and Fort McMurray in Alberta; Fort Chipewyan and Fort Simpson, Northwest Territories; Uranium City, Saskatchewan; and Castlegar, British Columbia. The increase in capacity as a result of the introduction of jet service to these areas resulted in the retirement of two Lockheed Electras and three of the company's five Convair 640's.

Facilities

1975 being a year of tight cost control, there was no major expansion to company facilities. A new cargo terminal was constructed in Yellowknife during the year, providing 5,600 square feet of space. The building is scheduled to open in early 1976.

In October of 1975 the new Edmonton Municipal Airport Terminal was opened. The new terminal, built by the City of Edmonton, has greatly enhanced the operational efficiency at that airport.

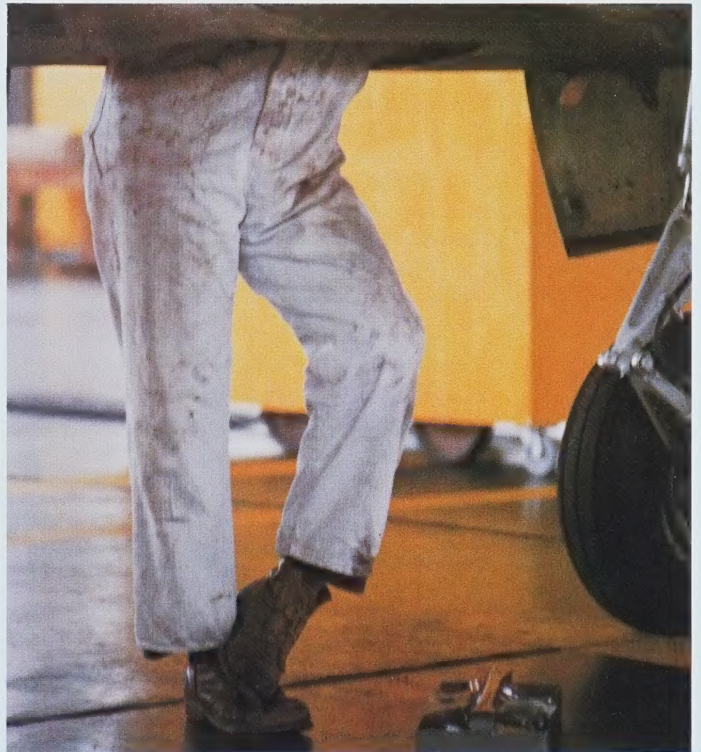
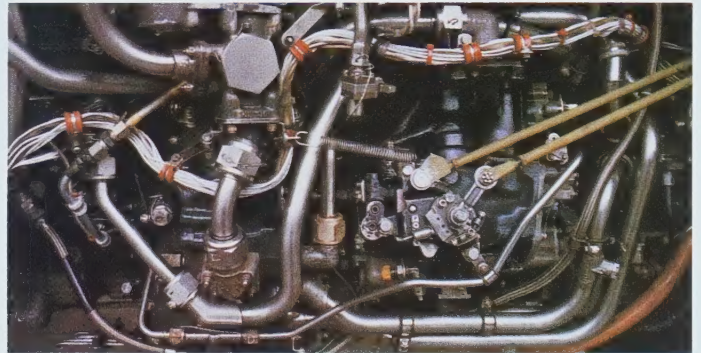
Routes

On July 17, 1975 the company inaugurated direct service between Vancouver and Seattle. Commencement of the service was delayed by three months due to a delay in the signing of the licence. Indications are that traffic on this route will have a good rate of growth with the increasing popularity of Canadian vacation travel in the United States.

In July of 1975 public hearings were held on our application for a Vancouver to Edmonton, via Kelowna, route. A decision has not yet been made concerning this application.

Charter Operations

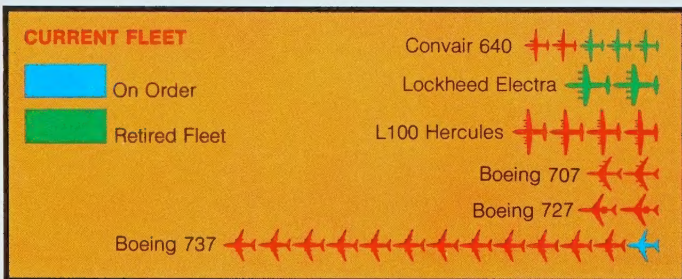
Despite major gas discoveries in the North during the year, High Arctic activity did not warrant utilization of our four Hercules aircraft and necessitated a search for work elsewhere during the winter. A substantial contract was secured with the Diamang Company of Angola, employing one Hercules on re-supply flights, moving food, fuel and mining equipment from Angolan coastal ports inland to the Diamang mines. One Hercules was conducting ad hoc charters in Europe and the remaining two have been employed in the Arctic throughout the winter months. During the balance of the year, the



The summer Inclusive Tour Charter programme was enhanced with the introduction of ITC's to Malaga, Spain in conjunction with a Mediterranean cruise. Original projections on this programme were conservative and the popularity of this package necessitated operating double the number of flights originally planned. It is anticipated that this 1975 programme, which was operated from Eastern Canada, will be extended in 1976 to include departures from Western Canada. Inclusive Tour Charters to the continental United States have experienced tremendous growth with several series of flights, utilizing Boeing 737 aircraft, to the popular year-round destination of Reno and seasonally to Los Angeles and San Diego.

Domestic Tours

Expanded programmes for both the winter Ski-Bird tours and summer Great Canadian Adventure tours were marketed most successfully, attracting many new customers to Western Canadian vacation spots.



Progress Graphs

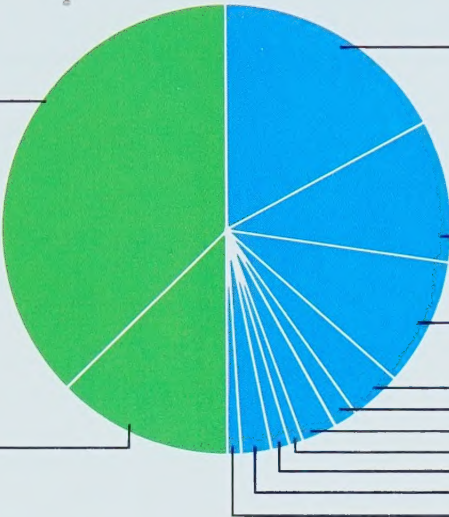
REVENUE Percentage

Dollar Distribution 1975

EXPENSES Percentage

Mainline 69.2

Charter 30.8



Salaries and wages 34.5

Other operating expenses 20.7

Fuel and oil 18.4

Aircraft rentals 7.5

Maintenance Material and Services purchased 3.3

Landing fees and ground handling 5.2

Insurance 1.7

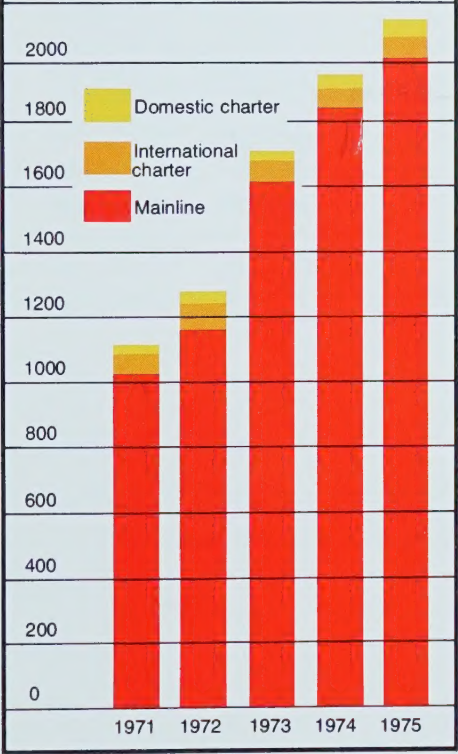
Interest 2.9

Depreciation and amortization 4.5

Net earnings 1.3

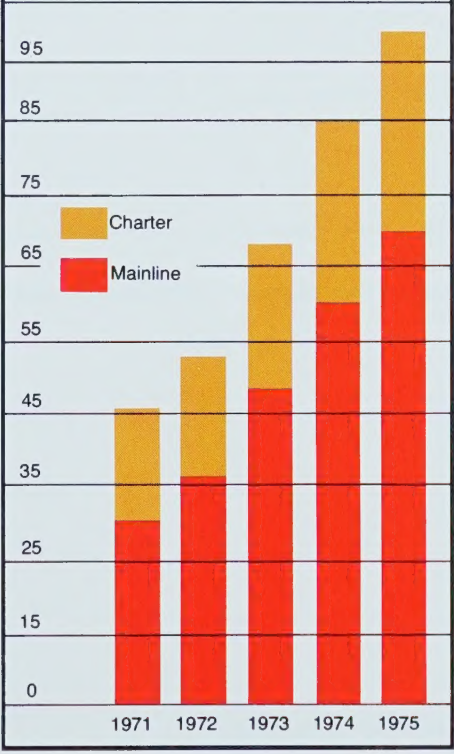
Passengers Carried

Thousands



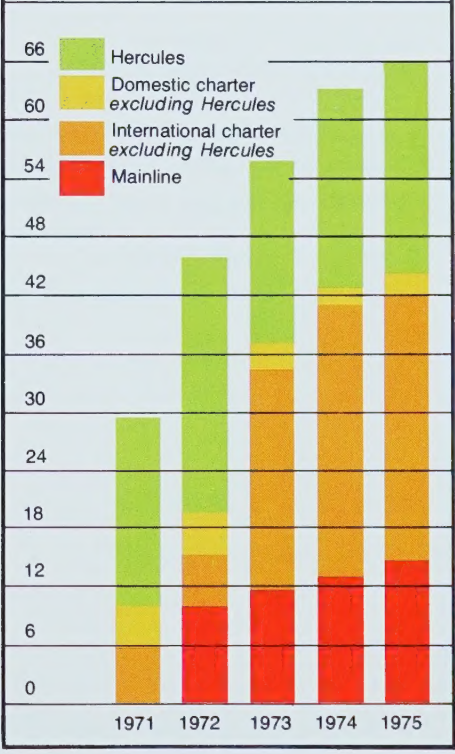
Revenue

Millions



Cargo Ton Miles

Millions



Consolidated Balance Sheet

December 31, 1975 (with comparative figures for 1974)

ASSETS	1975	1974
Current assets:		
Cash and short-term bank deposits	\$ 5,715,838	4,425,119
Accounts receivable	10,049,283	9,074,072
Inventory of parts, material and supplies at the lower of cost or net realizable value	2,766,739	2,814,119
Prepaid expenses and refundable deposits	1,090,659	5,257,902
Flight equipment held for sale at estimated realizable value	2,286,269	—
Total current assets	21,908,788	21,571,212
Deposits on flight equipment	1,108,270	5,162,747
Property and equipment, at cost:		
Flight equipment	59,663,375	55,894,108
Land, buildings and ground facilities	11,817,086	9,066,569
	71,480,461	64,960,677
Less accumulated depreciation	15,295,858	15,210,914
Property and equipment, net	56,184,603	49,749,763
Investments and other assets (Note 3)	709,181	1,640,645
Goodwill, at cost less amortization	1,866,124	1,915,231
	\$81,776,966	80,039,598

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY**1975****1974**

Current liabilities:

Bank indebtedness, secured by a general assignment of accounts receivable	\$ —	1,250,000
Accounts payable and accrued expenses	10,708,136	11,587,109
Accrued wages and vacation pay	3,250,916	2,506,672
Current portion of long-term debt	5,501,114	4,686,427
Unearned transportation revenue	1,231,151	879,108
Discontinued operation (Note 1(a))	—	182,732
Total current liabilities	20,691,317	21,092,048
Long-term debt (Notes 4 and 5)	35,543,509	35,795,717
Deferred income (Note 1(e))	1,151,752	—

Shareholders' equity:

Capital stock (Note 6)	8,589,861	8,589,861
Retained earnings, per accompanying statement (Note 7)	15,800,527	14,561,972
Total shareholders' equity	24,390,388	23,151,833

Commitments (Note 10).

\$81,776,966 **80,039,598**

On behalf of the Board:

R. R. McDANIEL, Chairman of the Board

C. W. BRAZIER, Q.C., Director

Consolidated Statement of Earnings

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Operating revenues:		
Mainline:		
Passenger	\$ 60,665,187	51,299,831
Cargo	8,219,795	6,352,900
Mail	1,249,594	1,595,987
Total mainline	70,134,576	59,248,718
Charter	31,436,930	25,759,831
Total operating revenues	101,571,506	85,008,549
Operating expenses:		
Flying operations	48,768,785	39,640,631
Maintenance	18,288,815	14,389,856
Commercial services	19,529,052	16,828,268
General and administrative	6,197,948	4,930,944
Total operating expenses	92,784,600	75,789,699
Operating income before depreciation and amortization	8,786,906	9,218,850
Depreciation	4,543,845	4,120,461
Amortization of goodwill (and introductory costs in 1974)	49,107	1,183,498
	4,592,952	5,303,959
Operating income	4,193,954	3,914,891
Other income	1,112,787	958,365
Interest on long-term debt and financing expenses	(3,921,524)	(2,972,470)
Earnings before income taxes	1,385,217	1,900,786
Provision for future years income taxes (Note 1(f))	—	621,918
Earnings from continuing operations	1,385,217	1,278,868
Earnings (losses) from discontinued operation (Note 1(a))	(25,068)	21,901
Net earnings	\$ 1,360,149	1,300,769
Earnings per common share (Note 8)	\$.49	.45

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Balance at beginning of year	\$14,561,972	6,798,299
Transfer of income tax provision in respect of future years (Note 1(f))	—	6,995,420
Net earnings	1,360,149	1,300,769
	15,922,121	15,094,488
Dividends:		
Preferred	121,594	183,959
Common	—	348,557
	121,594	532,516
Balance at end of year	\$15,800,527	14,561,972
See accompanying notes to consolidated financial statements.		

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975 (with comparative figures for 1974)

	1975	1974
Funds provided by:		
Operations:		
Earnings from continuing operations	\$ 1,385,217	1,278,868
Add charges not requiring working capital	4,804,037	4,240,313
Funds provided by continuing operations	6,189,254	5,519,181
Long-term debt	13,672,479	19,903,185
Sale — leaseback of flight equipment	4,500,000	—
Flight equipment held for sale	2,237,359	—
Disposal of equipment	40,156	391,130
Discontinued operation (Note 1(a))	906,296	9,532
Other	100	490,100
Total funds provided	27,545,644	26,313,128
Funds applied to:		
Property and equipment	12,725,055	11,839,169
Long-term debt	13,924,687	10,421,821
Dividends	121,594	532,516
Rental deposits on leased flight equipment	36,001	3,501,167
Total funds applied	26,807,337	26,294,673
Increase in working capital	738,307	18,455
Working capital at beginning of year	479,164	460,709
Working capital at end of year	\$ 1,217,471	479,164
See accompanying notes to consolidated financial statements.		

Notes to Consolidated Financial Statements

December 31, 1975

1. ACCOUNTING POLICIES:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the company and all of its subsidiaries which are: Pacific Western Airlines (Alberta) Ltd., Aero Engineering Limited and B.C. Air Lines Limited. All material inter-company transactions have been eliminated.

During the year the company sold all of its shares of its wholly-owned trucking subsidiaries, Byers Transport Limited and P.W.A. Trucking Ltd. To provide the most meaningful comparison of the current financial position and operating results with those of prior years, all amounts related to this discontinued operation are reclassified as "discontinued operation". Net assets of the discontinued operation are segregated between current and non-current, thereby not changing working capital previously reported.

(b) Conversion of foreign currencies:

Current assets and current liabilities in U.S. funds have been converted into Canadian dollars at the rate of exchange in effect at the balance sheet date. Long-term debt payable in U.S. funds is carried at rates prevailing at dates of issue.

(c) Property and equipment:

Costs of repairs, renewals and replacements, including major flight equipment overhauls, are charged to earnings except for those expenditures which improve or extend the useful life of assets or which relate to pre-acquisition hours. Upon retirement or disposal of equipment, the cost and related depreciation are removed from the accounts and the gain or loss, if any, is reflected in the earnings for the period. The exception to this policy relates to sale and leaseback transactions referred to in Note 1(e).

Depreciation is provided on a straight-line basis, except for aircraft rotatable spare parts where the diminishing balance basis is used, to reduce original cost of assets to estimated residual value over their service lives which are subject to periodic review. In January 1975 the company revised the estimated useful life of certain aircraft. The effect of these changes for the year is to increase net earnings by \$975,000.

(d) Goodwill:

While management is of the opinion that none of the recorded goodwill, which arose in prior years on acquisition of subsidiaries and routes, has diminished in value, in accordance with the recommendation of the Canadian Institute of Chartered Accountants, goodwill is being amortized over a period of forty years commencing January 1, 1974.

(e) Deferred income:

Profits relating to sale and leaseback of flight equipment are deferred and amortized to earnings over the term of the lease. During the year, the company disposed of flight equipment having a net book value of \$3,340,000. The profit of \$1,160,000 is being amortized to earnings over ten years commencing December 1975.

(f) Income taxes:

The company and its wholly-owned subsidiaries are exempt from taxation under Section 149(1)(d) of the Income Tax Act as a result of the Province of Alberta acquiring more than 90% of the issued shares of the company on August 23, 1974.

The 1974 consolidated earnings of the company have been apportioned between the exempt period and the non-exempt period, in accordance with Section 149(6) of the Income Tax Act. An appropriate tax provision has been reflected in the 1974 statement of earnings on the earnings deemed to have been earned during the non-exempt period.

The income tax provisions in respect of future years of \$6,995,420 accumulated prior to the company becoming exempt from income taxes have been credited to retained earnings. Should the company cease to be exempt from taxation under Section 149(1)(d) of the Income Tax Act, these provisions would have to be reinstated.

2. RECLASSIFICATION:

In addition to the reclassification of amounts related to the discontinued trucking operation referred to in Note 1(a), the financial statements for the year ended December 31, 1974 have been reclassified where applicable to conform with the presentation used in the current year.

3. INVESTMENTS AND OTHER ASSETS:

	1975	1974
Advance to Byers Transport Limited secured by 9% second secured debenture	\$ 600,000	600,000
Investments in shares of other companies, at cost	109,181	109,281
Discontinued operation (Note 1(a))	—	931,364
	<u>\$ 709,181</u>	<u>1,640,645</u>

4. LONG-TERM DEBT:

	1975	1974
9¾% to 11¾% (prime to prime plus 2%) Canadian bank term loans payable by monthly, semi-annual and annual instalments up to January 1981, secured by chattel mortgages on various aircraft and spare parts and by a general assignment of accounts receivable	\$20,896,163	22,777,151
9¾% (prime) revolving term bank loan maturing 1977	2,500,000	4,500,000
6% term loans payable to Export-Import Bank of the United States by semi-annual instalments from November 1977 to April 1985. Guaranteed by certain Canadian banks who hold chattel mortgages on various aircraft (U.S. \$15,718,093)	15,623,095	11,423,272
Lease-purchase obligations on various flight equipment payable by monthly and quarterly instalments including interest, at various dates up to April 1982	663,739	813,402
Non-interest bearing agreements for sale payable May 1976	250,000	500,000
Other agreements and notes payable, bearing interest up to 10½% and payable at various dates to 1980	<u>1,111,626</u>	<u>468,319</u>
	41,044,623	40,482,144
Less current portion	<u>5,501,114</u>	<u>4,686,427</u>
	<u>\$35,543,509</u>	<u>35,795,717</u>

The company has issued under a Deed of Trust and Mortgage a debenture in the principal amount of \$10,000,000 and pledged the same as general security for its loans from the Canadian Imperial Bank of Commerce. This Trust Deed constitutes a first floating charge on all of the company's assets and undertaking. The Mercantile Bank of Canada and the Canadian Imperial Bank of Commerce also hold as additional security for their loans, debentures providing floating charges on all assets of the company.

5. DEBT MATURITY:

Maturities of long-term debt for the next five years are as follows:

	1975	1974
1975	\$ —	4,686,000
1976	5,501,000	9,490,000*
1977	8,229,000*	5,361,000
1978	7,027,000	5,628,000
1979	4,795,000	3,819,000
1980	<u>3,928,000</u>	<u>—</u>
	<u>\$29,480,000</u>	<u>28,984,000</u>

*Includes \$2,500,000 (1974 — \$4,500,000) revolving term bank loan.

6. CAPITAL STOCK:

	1975	1974
\$2.20 redeemable preferred shares Series A without nominal or par value. Authorized 120,000 shares; outstanding 55,265 (1974 — 55,375) shares	\$ 1,630,318	1,633,563
Common shares without nominal or par value. Authorized 5,000,000 shares; issued 2,549,296 (1974 — 2,548,856) shares	<u>6,959,543</u>	<u>6,956,298</u>
	<u>\$ 8,589,861</u>	<u>8,589,861</u>

The \$2.20 redeemable preferred shares Series A are redeemable on or after December 1, 1976 at the option of the company at \$31.70 per share up to and including November 30, 1977, reducing by \$.44 in each year thereafter to \$29.50.

Each of the \$2.20 redeemable preferred shares Series A is exchangeable at the option of the holder at any time on or prior to December 1, 1978, for four common shares. During the year the holders of 110 of these shares with an aggregate value of \$3,245 exchanged their shares for 440 common shares.

221,060 common shares are reserved for exchange of 55,265 \$2.20 redeemable preferred shares Series A.

7. DIVIDENDS:

The Articles of the company pertaining to the \$2.20 redeemable preferred shares Series A contain, among other provisions, a restriction on the payment of dividends on common shares. Under this restriction, retained earnings of \$8,519,000 as of December 31, 1975 (1974 — \$7,280,000) are available for the payment of dividends.

8. EARNINGS PER COMMON SHARE:

The per share figures have been computed by dividing the net earnings after payment of preferred share dividends by the weighted average number (2,549,281; 1974 — 2,462,095) of common shares outstanding during each year.

Fully diluted earnings per share are not shown as the effect of the assumed conversion of the \$2.20 redeemable preferred shares Series A would be to increase the earnings per common share.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

Aggregate remuneration of directors, senior officers and certain operating personnel of the company, as defined by the B.C. Companies Act, amounts to \$712,348 for the year 1975, of which \$74,574 represents directors' fees paid in 1975.

10. COMMITMENTS:

(a) Aggregate rentals under long-term lease agreements in effect at December 31, 1975 for certain flight equipment including 13 aircraft amount to approximately \$68,000,000. The average minimum annual rentals on these lease agreements in each of the next five years are approximately \$8,400,000.

(b) The company has the following commitments:

(i) To acquire one Boeing 737 flight simulator for delivery in December 1976 at an estimated cost of \$2,500,000, of which \$1,025,000 has been recorded in the accounts at December 31, 1975.

(ii) To acquire one Boeing 737 aircraft for delivery in late 1976 or early 1977 at an estimated cost of \$6,100,000, for which financial arrangements are still in process.

(iii) To acquire an airline information and dispatch system for delivery in the latter part of 1976, at an estimated cost of \$435,000.

(c) As a result of improvements in employee pension benefits in the current and prior years, the company has an approximate liability at December 31, 1975, of \$2,275,000 for past service benefits. This amount is payable at the rate of approximately \$215,000 annually to December 1986 and thereafter \$115,000 annually to December 1991. The company is charging this amount to operations as it is paid.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Pacific Western Airlines Ltd. and its subsidiary companies as of December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
February 9, 1976

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Ten Year Summary

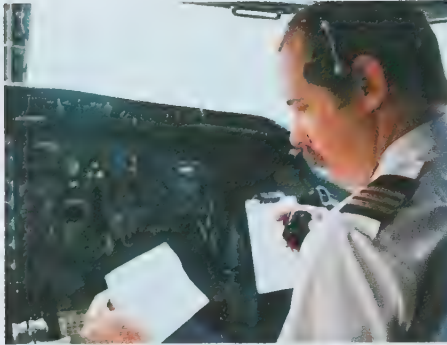
(all figures in thousands)

FINANCIAL STATISTICS	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Mainline Revenue	\$ 70,135	\$ 59,249	\$ 47,144	\$ 36,256	\$ 30,185	\$ 23,496	\$ 17,978	\$ 11,082	\$ 10,308	\$ 8,583
Contract and Charter Revenue										
Hercules — Cargo	15,640	13,144	8,928	7,974	7,742	7,019	5,597	1,823	1,425	—
International — Charter	12,029	9,442	8,310	5,487	4,741	7,962	5,463	3,747	1,548	1,813
Multi-engine aircraft (excluding International and Hercules)	3,768	3,174	4,186	3,512	2,686	2,065	2,337	919	1,097	1,021
Single-engine aircraft	—	—	—	—	—	—	—	47	556	782
Total revenue	\$101,572	\$ 85,009	\$ 68,568	\$ 53,229	\$ 45,354	\$ 40,542	\$ 31,375	\$ 17,618	\$ 14,934	\$ 12,199
Funds provided by operations	6,189	5,519	8,278	6,788	5,460	3,453	2,446	2,054	2,184	1,606
Depreciation and amortization	4,593	5,304	3,692	3,163	2,630	2,899	1,976	1,389	1,336	480
Equipment purchased	12,725	11,839	14,368	11,605	2,784	2,762	13,580	1,701	6,949	6,016
Income taxes										
Current	—	—	—	—	—	—	—	—	—	(57)
Future years (Note 1)	—	622	2,368	1,956	1,415	(132)	240	242	237	500
Gain (loss) on disposal of equipment (after provision for future years income taxes) (Note 2)	(20)	40	36	64	(31)	(77)	439	110	91	292
Earnings (loss) from discontinued operation (Note 3)	(25)	22	(326)	24	(58)	(38)	(46)	—	—	—
Net earnings (loss)	1,360	1,301	1,992	2,120	1,438	(232)	584	311	317	734
Reduction of long-term debt	13,925	10,422	6,834	5,748	6,690	2,736	3,752	1,889	2,641	1,295
Dividends										
Preferred shares	122	184	250	263	57	64	64	64	67	70
Common shares	—	349	696	572	232	—	—	—	—	—
OPERATING STATISTICS										
Mainline										
Passengers carried	2,047	1,858	1,625	1,195	1,037	789	627	371	364	302
Cargo carried (lbs.)	48,890	38,174	35,395	31,375	21,595	18,732	15,987	11,408	12,158	10,582
Passenger miles flown	480,651	447,076	400,417	305,086	256,452	209,007	168,068	95,426	92,909	77,877
Ton miles flown	62,897	58,072	49,887	40,288	31,971	26,455	21,834	13,097	12,939	11,035
Aircraft miles flown	10,210	10,101	9,272	7,858	6,922	6,065	5,501	3,191	3,732	3,217
Contract and charter										
Hercules aircraft miles flown	2,207	2,269	2,042	2,521	2,050	1,992	1,228	578	563	—
International charter miles flown	2,484	2,251	2,514	1,814	1,530	2,603	1,750	1,117	670	744
Other aircraft miles flown	974	957	1,098	998	940	851	908	484	544	657

Note 1: In order to present a proper comparison of earnings, the presentation of earnings for 1966 to 1967 has been amended to reflect the amount of future years income taxes applicable to each year.

Note 2: Gain (loss) on disposal of fixed assets before provision for future years income taxes was included in "OTHER INCOME" in the 1971 to 1975 Statement of Earnings. However, to be consistent with our ten year summary the gain or loss on disposal has been reclassified for 1971 to 1975 inclusive.

Note 3: As a result of the sale of the company's wholly-owned trucking subsidiaries, all amounts related to this operation are reclassified as "discontinued operation".



We're with you all the way.



DIRECTORS

- R. R. McDaniel
Chairman of the Board
President, McDaniel Consultants (1965) Ltd.
Calgary, Alberta
- W. J. Borrie
Honourary Chairman, Pemberton Securities Ltd.
Vancouver, B.C.
- C. W. Brazier, Q.C.
Associate Counsel, Davis & Co.
Barristers & Solicitors
Vancouver, B.C.
- A. F. Campney
Partner, Campney & Murphy
Vancouver, B.C.
- R. T. Eyton
President & Chief Executive Officer
Pacific Western Airlines Ltd.
Vancouver, B.C.
- W. R. Harris
Executive Vice-President & Chief Operating Officer
Pacific Western Airlines Ltd.
Vancouver, B.C.
- F. T. Jenner
Retired
Edmonton, Alberta
- E. W. King
President, Canadian Utilities Limited
Edmonton, Alberta
- R. B. Love, Q.C.
Partner, Macleod Dixon
Calgary, Alberta
- A. H. Mitchell
President, Mitchell & Associates Ltd.
Edmonton, Alberta
- D. H. Searle, Q.C.
Senior Partner, Searle, Sigler
Yellowknife, N.W.T.
- R. D. Southern
President & Chief Executive Officer
Atco Industries
Calgary, Alberta

HEAD OFFICE

Vancouver International Airport Central, B.C.

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
Vancouver, B.C.
Edmonton, Alberta

BANKERS

Canadian Imperial Bank of Commerce
The Mercantile Bank of Canada

OFFICERS

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- W. R. Harris
Executive Vice President & Chief Operating Officer
- R. L. Lake
Senior Vice President, Commercial Services
- J. C. S. Miles
Senior Vice President, Operations
- A. C. Campbell
Vice President, Northern Region
- G. J. Cooke
Vice President, Western Region
- D. F. Granger
Vice President, Finance and Secretary
- D. R. Jacox
Vice President, Administration
- A. J. Moul
Vice President, Contract & Charter
- J. M. Robins
Vice President, Corporate Planning
- R. W. Benallick
Treasurer
- A. W. Corbett
Controller

SHAREHOLDERS' AUDITORS

Peat, Marwick, Mitchell & Co.
Vancouver, B.C.

SUBSIDIARY COMPANIES

(Wholly owned)

Pacific Western Airlines (Alberta) Ltd.
Aero Engineering Limited
B.C. Air Lines Limited

SENIOR STAFF

HEAD OFFICE

E. ANDERSON *Director, Economic Planning*
 K. E. BJORGE *Assistant Vice President, Contract & Charter*
 W. I. BOBYE *Director, Special Projects*
 W. J. BRYAN *Assistant Vice President, Technical Services*
 K. CHAPMAN *Director, Engineering*
 A. CRAIG *Director, Credit and Revenue Accounting*
 R. W. CULLEN *Director, Passenger Charters*
 W. DOBIN *Director, Maintenance System*
 K. FRANSBERGEN *Assistant Vice President, Flight Operations*
 K. E. GRAY *Director, Systems Operation Centre*
 A. W. HARDEN *Director, Safety and Insurance*
 C. JARVIS *Deputy Director, Personnel Development*
 H. R. LUTHER *Director, Computer Services*
 R. B. MACKIE *Director, Flight Operations*
 G. MANN *Director, System Services*
 J. M. MILES *Marketing Director, Charter Operations*
 R. A. MOORE *Director, In-Flight & Catering Services*
 E. E. PEZZOT *Director, Operational Planning*
 N. R. PRICE *Director, Property & Facilities*
 L. SAMBELL *Director, Budget Management*
 W. SHUFFLEBOTHAM *Director, Cargo Charters*
 J. P. SKELTON *Director, Security*
 C. H. STEWART *Director, Quality Control*
 F. H. TOY *Director, Telecommunications*
 J. V. R. WARK *Director, Management Information Services*
 F. A. WELBOURN *Director, Personnel Development*
 R. W. WILSON *Director, Materiel Control*
 C. BAINE *Manager, Mechanical Systems Engineering*
 R. G. BARNES *Manager, Crew Scheduling*
 R. BURROW *Chief Dispatcher*
 J. CHILDS *Technical Project Manager*
 J. DEARN *Manager, Stores*
 L. DUKE *Manager, Systems Operation Centre*
 G. B. DURNIN *Manager, Operations Administration*
 B. ELLSWORTH *Manager, Tariffs*
 D. J. KRAFT *Manager, Internal Audit*
 I. LAMBTON *Manager, Customer Service Training*
 R. LORD *Manager, Safety*
 G. MAGUIRE *Manager, Training Administration*
 D. MERRIGAN *Manager, Systems Operation Centre*
 B. F. MULLER *Manager, Passenger Charter Operations*
 J. PACKHAM *Manager, Cargo System Planning*
 F. PATTON *Manager, Components Control*
 M. E. PEEBLES (MRS.) *Manager, Employee Benefits*
 D. R. PENGELLY *Manager, Purchasing*
 G. PETRI *Manager, Catering Services*
 T. ROSS *Manager, Passenger System Planning*
 K. SKETCHLEY *Manager, Design Engineering*
 F. TOVEY *Manager, Marketing & Interline*
 D. TOY (MRS.) *Manager, Office Services*
 F. TREHEARNE *Manager, Baggage Services*
 L. TUCKEY *Chief Flight Engineer*
 W. VAN HORNE *Manager, Maintenance Control*
 G. VAN SLYKE *Manager, Propulsion Systems Engineering*
 J. WALLACE *Manager, Systems Operation Centre*
 R. G. WATERHOUSE *Manager, Flight Attendants*
 M. WATERS *Manager, Reservations System Planning*
 B. WEBB *Manager, System Operations Centre*
 J. WILKINSON *Manager, Reservations, Vancouver*
 J. WYNNYK *Manager, Technical Training*

WESTERN REGION

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 G. CANNAM *Maintenance Manager, Western Region*
 E. CARSWELL *City Sales Manager, Victoria*
 D. DELHAYE *Director Customer Services, Western Region*
 R. HAYES *Area Sales Manager, Western Region*
 G. V. HELTEN *Director of Sales, Western Region*
 D. KASK *District Manager, Property & Facilities*
 R. SHELTON *Manager, Customer Services, Interior B.C.*
 J. TESSMER *Manager, Customer Services, Coastal B.C.*
 H. WEINER *Manager, Cargo Sales and Service, Vancouver*
 A. YEATES *Chief Inspector, Western Region*

Customer Service Managers

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S. BULLOCK	Kamloops	B. HOLMBERG	Smithers
W. PARK	Sandspit	S. MCGILLAWEE	Penticton
A. COBURN	Victoria	D. MITCHELL	Prince George
B. EHMAN	Castlegar	G. NICOLL	Dawson Creek
L. FILIPEK	Campbell River	G. RADFORD	Powell River
C. FOWLER	Kelowna	G. SNIDER	Williams Lake
H. FRANK	Comox	L. STANNARD	Seattle
R. GILLETT	Vancouver	R. WALKER	Quesnel

NORTHERN REGION

R. J. NOON *Assistant Vice President, Northern Region*
 B. ASCOUGH *Manager, Materiel Control, Northern Region*
 J. BISAILLON *District Manager, Flight Attendants*
 D. BROWN *Manager, Cargo Sales and Services, Inuvik*
 B. COFFYNE *Manager, Cargo Sales and Services, Yellowknife*
 D. FISCHER *Director, Customer Services, Northern Region*
 H. HERBERT *District Manager, Advertising & Public Relations*
 R. HORNER *Director of Sales, Northern Region*
 W. HOWIE *Director, Hercules and Resupply*
 E. HUNKA *City Sales Manager, Calgary*
 K. IRVINE *Manager, Customer Services, N.W.T.*
 K. JOHNS *Manager, Hercules Operations*
 L. JONES *Regional Manager, Cargo Sales and Services, Edmonton*
 J. KULAK *Manager, Maintenance, Northern Region*
 B. LAMBERTSON *Manager, Customer Services, Alberta*
 H. POWELL *Chief Inspector, Northern Region*
 G. WADE *District Manager, Property & Facilities*
 K. WAMSLEY *City Sales Manager, Edmonton*
 E. WEISBROD *District Manager, Catering Services*

Customer Service Managers

T. BANGLE	Cambridge Bay	G. MCGOWAN	Ft. Simpson
T. DANYLUK	Uranium City	B. MERRYWEATHER	High Level
N. DEHOOG	Fort McMurray	D. MILLER	Resolute Bay
A. EVANS	Yellowknife	D. NELSON	Calgary
J. HUIBERS	Edmonton	D. SHINNAN	Inuvik
A. HUTCHINSON	Edmonton		
	Municipal		
H. KUHL	Norman Wells		
D. McNEILL	Hay River		
G. McFADDEN	Peace River		

